

**PREMIER FOODS PLC**  
(the “Company” or the “Group”)



**AUDIT COMMITTEE - TERMS OF REFERENCE**  
(as approved by the Board on 22 February 2017)

**Definitions:**

“Committee”	the Audit Committee
“Company”	Premier Foods plc
“Code”	the UK Corporate Governance Code
“Chairman”	Chair of the Audit Committee
“Company Chairman”	Chairman of the Board

**1. CONSTITUTION**

- 1.1 The Committee shall be a committee of the board of directors of the Company appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Chairman. The Board shall appoint the Chairman.

**2. MEMBERSHIP**

- 2.1 The Committee shall comprise a chairman and at least two other members.
- 2.2 All members of the Committee shall be independent non-executive directors and shall have no links with the external auditors unless approved by the Board. The Company Chairman shall not be a member of the Committee.
- 2.3 At least one member of the Committee will have recent, relevant financial experience and shall undertake any continuing professional development they may feel is necessary to continue to meet this requirement of the Code.
- 2.4 Members of the Committee may serve for a period of up to three years. This may be extended for two additional periods of three years, provided the director still meets the criteria for membership of the Committee. Any membership of the Committee beyond nine years will be annually reviewed by the Committee, with regard to member independence, and may require explanation in the annual report.
- 2.5 The company secretary or a nominee, shall be the secretary of the Committee and will ensure that the Committee receive information and papers in a timely manner to enable full and proper consideration to be given to the issues.

**3. QUORUM**

- 3.1 The quorum necessary for the transaction of business by the Committee shall be two. In the absence of the Chairman or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.

**4. MEETINGS**

- 4.1 The Committee shall meet as appropriate, but not less than four times a year.
- 4.2 Only members of the Committee have the right to attend Committee meetings. The Chairman may, as the Committee sees fit, invite other attendees as

appropriate. A representative of the external auditors shall, if requested by the Committee, attend the meetings, and shall be invited to attend meetings of the Committee on a regular basis. It is also expected that the Chief Financial Officer and Director of Internal Audit & Risk will be regular attendees.

- 4.3 A meeting of the Committee may be called by the secretary at the request of any member of the Committee, or at the request of the Company Chairman, Board member, external or internal auditors if they consider it necessary.
- 4.4 Meetings of the Committee shall be called by giving at least five working days' written notice unless all the members of the Committee agree to shorter notice. Notice will be given to all members and attendees, and will confirm the venue, time and date of the proposed meeting and provide the agenda and supporting papers.
- 4.5 Members may participate in a meeting by means of a conference telephone, video conferencing facility or other similar communicating equipment.
- 4.6 Sufficient time should be allowed to enable the Committee to undertake as full a discussion as may be required. A sufficient time interval will be allowed between Committee and main Board meetings to allow work arising from Committee meetings to be carried out and reported to the Board as appropriate.
- 4.7 The secretary shall minute the proceedings and resolutions of all meetings, including the names of those present and in attendance, as well as keeping appropriate records. Minutes of the meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless in the opinion of the Chairman it would be inappropriate to do so.
- 4.8 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

## **5. ANNUAL GENERAL MEETING**

- 5.1 The Chairman shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

## **6. TERMS OF REFERENCE**

In carrying out their responsibilities Committee members must act in accordance with the statement of Directors' Duties set out in sections 171-177 of the Companies Act 2006.

### **6.1 Financial Reporting**

- 6.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, and any financial information contained in certain other documents, such as announcements of a price sensitive nature or any reports to regulators.
- 6.1.2 The Committee shall review and challenge where necessary:
  - the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;

- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## **6.2 Internal Controls and Risk Management Systems**

The Committee shall:

- 6.2.1 keep under review the effectiveness of the Company's internal controls and risk management systems, including but not limited to, financial, operational, information technology security and compliance controls; and
- 6.2.2 review and approve the statements to be included in the annual report on internal controls and risk management and confirming to shareholders that an annual review of internal controls and risk management has been conducted.

## **6.3 Whistleblowing, Bribery & Fraud**

The Committee shall:

- 6.3.1 review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 6.3.2 review the Company's procedures for detecting fraud and monitoring the Company's compliance with the Bribery Act 2010.

## **6.4 Internal Audit**

The Committee shall:

- 6.4.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 6.4.2 approve the appointment or removal of the Director of Internal Audit & Risk;
- 6.4.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 6.4.4 review and assess the annual internal audit plan;
- 6.4.5 review promptly all reports on the Company from the internal auditors;

- 6.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 6.4.7 meet the Director of Internal Audit & Risk at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Director of Internal Audit & Risk shall be given the right of direct access to the Company Chairman and to the Committee; and
- 6.4.8 review annually the performance of the Director of Internal Audit & Risk and the internal audit function, and consider the need for an independent review of the effectiveness of the internal audit function once every 5 years.

## **6.5 External Audit**

The Committee shall:

- 6.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. If the Board does not accept the Committee's recommendation the annual report should contain a statement from the Committee explain the recommendation and why the Board has take a different position;
- 6.5.2 oversee the selection process for the external auditors which will be conducted by a formal tender process at least every 10 years;
- 6.5.3 if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 6.5.4 oversee the relationship with the external auditor;
- 6.5.5 provide a recommendation to the Board on their remuneration, whether fees for audit or non-audit services is appropriate to enable an adequate audit to be conducted;
- 6.5.6 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 6.5.7 assess annually their independence and objectivity taking into account relevant UK professional, regulatory requirements, the Company's Auditor Independence Policy and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 6.5.8 develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter;
- 6.5.9 satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) and monitor the implementation of the Company's Auditor Independence Policy on the employment of former employees of the Company's auditor;
- 6.5.10 monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company

compared to the overall fee income of the firm, office and partner and other related requirements;

6.5.11 assess annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;

6.5.12 seek to ensure co-ordination with the activities of the internal audit function;

6.5.13 evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation;

6.5.14 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

6.5.15 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;

- a discussion of any major issues which arose during the audit,
- any accounting and audit judgements, and
- levels of errors identified during the audit.

6.5.16 review the effectiveness of the external audit; and

6.5.17 review any representation letter(s) requested by the external auditor before they are signed by management.

## **7. REPORTING RESPONSIBILITIES**

7.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Chairman's report should include:

- identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- The significant issues that it considered in relation to the financial statements and how these issues were addressed;
- Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- Any other issues on which the Board has requested the Committee's opinion.

7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 7.3 The Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- 7.4 The Committee shall provide a recommendation to the Board on its assessment of the viability of the Company over time.
- 7.5 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include:
- the significant issues that the Committee considered in relation to the financial statements, to at least include those matters which have informed the Board's assessment of whether the Company is a going concern, and how these issues were addressed;
  - an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and
  - information on the length of tenure of the current audit firm and when a tender was last conducted; and
  - if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

## **8. OTHER MATTERS**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members on the principles of, and development in, financial reporting and related company law;
- 8.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 8.4 review the findings of any external regulatory body;
- 8.5 at least once a year, review its own performance constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 8.6 work and liaise as necessary with all other Board committees; and
- 8.7 to make its terms of reference available publicly.

**9. AUTHORITY**

The Committee is empowered in the articles of association of the Company to discharge its functions on behalf of the Board. The Committee shall:

- 9.1. have the right to seek and to be provided with any necessary information to fulfil its duties;
- 9.2. have the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties;
- 9.3. have the power to call any member of staff to be questioned at a meeting of the Committee as and when required; and
- 9.4. have the power to invite anyone with relevant experience to attend meetings of the Committee if necessary.

**10. DECISIONS OF THE COMMITTEE**

- 10.1 Any decisions of the Committee shall be taken on a simple majority basis. The Chairman will have a casting vote in the event of equality of voting.